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**MMARS Policy: Accounts Receivable**

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**Date Last Revised: November 1, 2006 (See [Revisions](#) for details.)**

## **Delinquent Debt Cycle**

### **Executive Summary**

Departments are responsible for making diligent efforts to collect legislatively authorized, aged earned revenue/account receivables owed the Commonwealth. These efforts include, but are not limited to, the following debt collection cycle: initial billing, dunning, intercept, and debt collection (see each respective policy for more information about these debt collection phases). If all efforts are made and collection is not possible, a department can submit the debt to the Office of the Comptroller (CTR) for write off.

### **Considerations**

MMARS is the official record of the Commonwealth for receivable and customer information. Departments must take special care to ensure that the information that is entered into MMARS for any receivable is accurate and complete.

### **Policy**

#### **Debt Collection Cycle**

In accordance with [M.G.L. c. 7A, § 3](#) and [815 CMR 9.00](#), in order for an outstanding debt to be eligible and considered for write off, it must have gone through the debt collection cycle that includes: initial billing, dunning, intercept, and debt collection.

#### ***Billing:***

The billing cycle notifies the debtor of a receivable that is owed the Commonwealth. If the debtor does not pay by the due date of the original invoice, two additional dunning notices and a collection letter will be generated on a designated schedule.

***Dunning and Collection Letters:***

Dunning notices are usually issued every thirty days from the original date on the prior dunning notice. Each dunning notice and collection letter must have language that mentions the possibility of intercept, debt collection, and the ability to request a hearing to dispute the debt. On the 120<sup>th</sup> day from the original invoice date, a collection letter is printed. This letter represents the last and final notice by the Commonwealth in requesting payment prior to collection activities.

***Late Charges:***

Only departments that have regulations that allow them to charge for late fees and interest will be allowed to include them as part of the receivable amount. The amounts departments can charge are usually written in their regulations. Interest and or late fee charges can begin to accrue on the receivable amount from the first day the invoice is past due.

Departments are also allowed to include the contingency fee percent charged by debt collection agencies as late fees to the debtor. Enhanced functionality allows for simple and compounded interest to be charged. If a department selects to use either late fees, interest or both, the invoice dunning language must mention the possibility of late fees and interest charges being added to the outstanding amount if not paid by the due date. The statewide late fee amount legislatively established through the Comptroller's Office can be found on the Systems Options Table (SOPT). Departments can establish late fees different from the statewide rate by notifying the Comptroller's office and requesting an entry on the Department Options Table (DBRO).

***Disputed Debts:***

Departments that have active disputed debts aged beyond 120 days should post this debt as part of their uncollectible receivables on their GAAP statement. CTR recommends that a department not submit to write off active disputed aged debts until a decision is made by the department to either stop the pursuit of the debt; or, if the debtor has proven the debt was not valid, to remove the debt by creating a new version of the existing RE that reduces it to zero.

***Intercept and Debt Collection:***

The receivable aged to 120 days becomes eligible for intercept and debt collection. CTR recommends that receivables be eligible for intercept for one full tax season (January to December) in order to maximize the possibility of an offset. Once a full tax season has passed, a department can decide to keep the receivable on intercept for another tax year, submit the receivables to be collected by another debt collection agency, or send them to CTR to be written off.

***Legislatively Excluded Departments from Intercept and Debt Collection:***

Departments that are legislatively excluded from using intercept and/or debt collection must include the relevant regulations in their write off request letter.

***Write Offs:***

A write off is a transaction approved and performed by CTR that removes uncollectible receivables from the Commonwealth's financial records. Write offs are necessary, as the Commonwealth should not carry uncollectible receivables on its records beyond a reasonable time. Prior to the submission of the write off request to CTR, a department must demonstrate that sufficient effort has been taken to collect the debt. The debt must have gone through the dunning and collection letter cycle, and submitted to the intercept process and debt collection.

***Submitting Write off Requests to CTR:***

Neither Departments nor Collection Agencies have the authority to write off uncollectible receivables. The department must refer these receivables directly to CTR for write off. Departments must send a formal letter explaining the nature of the write off request (including a list of the types and amounts of receivables), and describe all intercept and debt collection activity pursued to collect this debt. The department must include the write off request form and list each receivable to be written off, with the necessary documentation that depicts efforts made to collect the debt. This includes close and return reports by debt collection agencies, bankruptcy notices, etc.

***Write Off Approval Process:***

Once a write off request has been received by CTR, it will be reviewed and either given an approval signature or the write off will be returned to the department for further attempts at collection. Write off requests that do not have sufficient documentation and/or are partially completed will be returned to the department for completion. Once a write off has been approved, CTR will process it in MMARS.

**Allowance for Doubtful Accounts**

Departments must report on their annual GAAP package an estimated uncollectible receivable amount that they expect will not be collected. This is called the allowance for uncollectible receivables or allowance for doubtful accounts. The estimate should consider such factors as past history and age of the receivables. Included in this uncollected amount should be receivables that should have already been written off in that fiscal year but were not.

**Electronic signature and Department Head Authorization of MMARS documents**

Electronic signatures are limited to MMARS documents. **Electronic signatures can not yet be used for contracts, amendments or underlying supporting documentation.** With the implementation of the MMARS accounting system the Office of the Comptroller is aligning Electronic Security with Department Head Signature Authorization (DHSA) in fiscal year 2005 in order to take advantage of electronic signatures for MMARS processing. Every MMARS action must be confirmed/authorized by the department head or an authorized signatory. Department head authorization can be accomplished in one of two ways:

- **Administrator Security with DHSA.** If the employee (Administrator - system processor) who submits a document to final status is a department head authorized signatory, the data in the MMARS system will be sufficient documentation. What appears in MMARS will be the record copy of the document.
  - ***Recording Doc Id on all supporting documentation.*** Since there is no paper copy required for the MMARS document the department will be required to include the MMARS Document Identification number (Doc ID) on all supporting documentation to “match” the supporting documentation with the electronic record of the MMARS document which will reside on MMARS. Recording the doc id on all supporting documentation can be accomplished by entry of the MMARS doc id on the first page of the supporting documentation, or by entering the doc id on a **MMARS Document Authorization/Records Management Form** which will act as the cover sheet to the supporting documentation for records management purposes.
- **Administrator Security without DHSA.** If the employee (Administrator - system processor) who will be submitting a document to final status is not a department head authorized signatory, the Administrator must obtain a live (“wet”) signature from an authorized signatory approving the document **PRIOR** to submitting the document to final status in MMARS.
  - ***Review of document and supporting documentation.*** Since a department head is required to authorize the official record of a MMARS document, which is what **actually appears in the MMARS system**, departments must ensure that whoever authorizes the document has reviewed the document and related supporting documentation prior to authorization.
  - ***Written authorization.*** The written authorization may appear on a screen-print of the document as entered and validated, but prior to final submission, or on a **MMARS Document Authorization/Records Management Form** prescribed by CTR, to capture the prior authorization for documents.
  - ***Filing of authorization with supporting documentation.*** Authorization documentation must be kept on file at the department along with the record copy of other supporting documentation related to the MMARS document. See [Records Management](#) below.

### **What does electronic signature of a MMARS document mean?**

When a department electronically submits a document to final status in MMARS, the department head is certifying to the Comptroller that the individual, on behalf of the department head, understands that their UAID (universal access identification) is being recorded for any entries made in the MMARS system **and that** that individual certifies under the pains and penalties of perjury that:

- it is their intent to attach an electronic signature approval and date to the MMARS document, **and that**
- they are either an authorized signatory of the department head who is authorized to approve the MMARS document as part of the department Internal Control Plan, **OR**
- that the document they are processing and any supporting documentation have been approved by an authorized signatory of the department head, secretariat and any other required prior approval (including secretariat signoff if required) and a copy of these approvals are available at the department referencing the MMARS document number, **and that**
- any expenditure or other obligation is supported by sufficient available legislatively authorized funds and is in accordance with the department's enabling legislation and funding authority; **and that**
- the MMARS document and any underlying supporting documentation are accurate and complete and comply with all applicable general and special laws, regulations and policies including public record retention and disposal requirements.

### **Records Management**

The department is the record keeper of the official record copy of all receivable information. MMARS is the official record of the receivables entered by the department and will supersede any paper copies of the same information. The department must maintain any supporting or back up documentation related to a receivable entered in MMARS. A department is responsible for retaining and archiving receivable records in accordance with the disposal schedules issued by the Secretary of State Records Conservation Board.

### **Internal Controls**

Under construction. See Accounts Receivable - Internal Controls – Revenue.

### **Information Sources**

- Related Procedure – Under construction
- Related Policies:
  - Department Head Signature Authorization
  - Electronic Signatures for MMARS Documents

- Accounts Receivable - Vendor/Customer Set up
  - Accounts Receivable – Debt Collection
  - Accounts Receivable – Intercept
  - Accounts Receivable – Payment Plans
  - Accounts Receivable – Cash Recognition
  - Accounts Receivable – Receivable Recognition and Reconciliation
  - Accounts Receivable – Lockbox Policy
  - Accounts Receivable – Electronic Payments
  - Accounts Receivable – Invoice Statements
  - Accounts Receivable – Third Party and Multiple Third Party Billing
  - Accounts Receivable – Receivable Renewals
  - Accounts Receivable - Internal Controls – Revenue.
- Legal Authority - [M.G.L. c. 7A](#); [M.G.L. c. 29](#); [M.G.L. c. 30, §. 27](#); [M.G.L. c. 10, § 17B](#); [M.G.L. c. 29, § 29D](#); [M.G.L. c. 7A, § 3](#); Massachusetts Constitution [Article LXIII Section 1](#); [815 CMR 9.00: Collection of Debts](#); [M.G.L. c. 7A § 18](#).
  - Attachments - [Current Debt Collection Statewide Contract](#)
  - Links – None
  - Contacts – [CTR Help Desk](#)

### **Revisions**

- November 1, 2006 – Removed language referencing Knowledge Center and updated relevant links to Mass.gov portal site.